

## RECOMMENDATIONS OF THE HOUSING PRODUCTION TASK FORCE

The Task Force examined legal and administrative restrictions which inhibit the City's ability to assist new housing construction; City efforts which can serve to make optimum use of Federal and State programs; new incentives which the City can offer to developers of low income housing; and possible revisions of the City's development standards, zoning, and permit processes which could serve to facilitate the construction of moderate as well as low income housing.

### Revision of Section 8 Recently Completed

The Section 8 Recently Completed program, funded out of the allocation for the Section 8 Existing program, allows a higher Fair Market Rent than does Section 8 Existing. With a 100% land writedown, a favorable mortgage rate through the use of tax-exempt bonds and a limited subsidy of construction costs (utilizing HCDBG funds for projects sponsored by non-profit or CRA tax increment funds with private sponsors) Section 8 Recently Completed rent assistance could close the affordability gap for low income households. However, in order to obtain financing, particularly tax-exempt bond financing, for such low income housing projects, the rent assistance must provide a long-term rent guarantee. At present the contracts under Section 8 Recently Completed are only for five years, too short a time to provide such a long-term guarantee.

The recommendations should be viewed with particular merit by HUD because they do not require additional money-only longer-term commitments; would possibly allow the City to use both its HCDBG funds and Section 8 funds for its most pressing need - new housing, and would help make it possible for the City to conform to Carter Administration policy in utilizing tax-exempt mortgage bonds for low-income rental projects.

### RECOMMENDATIONS I

The following specific changes<sup>to</sup> the Section 8 Recently Completed program are recommended:

- A. Recently Completed Section 8 certificates shall be available for 20 year contracts for rental units assisted with HCDBG land writedown funds.
- B. HUD shall allow projects which have received fund approval, both for the Section 8 Housing Assistance Payments Program and FHA mortgage insurance, to utilize Section 8 Recently Completed for 20% of their approved units if HCDBG land writedown funds are also utilized (and if the length of Section 8 Recently Completed contracts are extended to 20 years).

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The released Section 8 New Construction Commitments would then be available for additional projects.

The attached letter has been sent by Mayor Bradley to Assistant Secretary Lawrence Simons requesting such changes. It is recommended that the Council adopt an official City position supporting these changes and that CLA pursue these recommended changes in Washington on behalf of the City.

#### C. Unused Section 8 Existing Certificates

All Section Existing certificates that cannot be used by holders of certificates for Existing units or in projects developed under the City's housing production program, shall be converted into Recently Completed Section 8. The Housing Authority has recently initiated such transfers. The Council should support such a policy and request periodic progress reports by the Housing Authority.

#### Section 8 New Construction

Continue support programs which assist the operation of the Section 8 New Construction Program. The two current programs which are directed to this effort are:

- A. This past advertisement period offered land cost assistance to private and non-profit developers, as well as the City Housing Authority, in order to facilitate the development of Family Section 8 Projects advertised by HUD and the California Housing Finance Agency.

1000 HUD Section 8 Family units as well as approximately 205 Section 8 Family units allocated by CHFA will be eligible for assistance this year through this program. Statutory limits or costs and rents are such that land subsidy is necessary to make projects feasible.

Projects have been proposed, and units will be built that otherwise would not have been proposed, if the land writedown assistance had not been made available.

The City has also been able to receive units originally allocated to other areas, because of the availability of its land writedown assistance. In addition to the 400 advertised units, HUD approved an additional 133 units.

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The City Housing Authority has been able to obtain \$200,000 for land acquisition from the State Department of Housing and Community Development, to be used in conjunction with the \$1.5 million in CDBG funds set aside for land acquisition.

3. The Community Redevelopment Agency, with a special HUD Section 8 Family set-aside, is planning to finance the units with SB99 bonds. This, along with HUD pre-approved project plans, is expected to shorten the pre-construction time. Hopefully, with greater flexibility in the City's bond financing, revised Article 34 referendum language, private mortgage insurance for larger rental projects, and favorable interest rates, this program can be expanded, thus encouraging greater interest in participation in the Section 8 Family Program among developers.

The CRA is expecting to assist 100 units this year with SB99 bond financing and tax increment land writedown funds.

## RECOMMENDATIONS II

- A. The Council should continue, as a priority for HCDBG funding, the provision of land writedown assistance for Section 8 Family projects. The Community Development Department should be directed to report to the Grants Committee when it is determined that additional funds will be required.
- B. It is recommended that the CRA report to Council on the status of the Five-Plex bond-financing program and on actions which might improve the effectiveness of the program on June 3, 1980.
- C. In addition to efforts to better utilize the Section 8 New Construction program, the City must be assured of its rightful allocation of Section 8 New Construction funds.

Allocations of assisted housing units are made on assessments of need, based on data included in the 1970 census. However such a data base does not reflect the critical shortage of affordable housing that has developed in the City during the 1970's.

It is recommended that the City renew its efforts to obtain HUD acceptance of more recent, realistic, and valid measures of housing need. CLA, together with CDD,





should be directed to report to the Grants Committee on June 3 on the extent of the short fall in housing assistance to the City and to recommend a City position on HUD's allocation formula.

# I. Community Development Block Grant Regulation

At present, it is very difficult to use HCDBG funds as assistance for new housing projects while HCDBG funds are available for land writedowns for Section 8 New Construction projects, the City has found itself restricted in attempting to supplement this program. HCDBG funds can only be used to assist construction costs if the projects are sponsored by neighborhood-based non-profits. Assistance limited to land writedown is simply not enough to enable private developers to provide units affordable to low-income households.

It is recognized that a primary purpose of the Community Development Block Grant program is to leverage other funds, particularly private investment. However, given the high costs of housing construction and financing, it has proved impossible to use HCDBG funds, limited as they are to land acquisition costs, to leverage private investment for the purpose of developing low income housing. The modification in the Community Development Block Grant program recommended in this report would give the City greater opportunity to utilize HCDBG funds to leverage private investment for the construction of low income housing.

## RECOMMENDATION III

The City adopt an official City position recommending the following change in the Housing and Community Development Act of 1974:

An additional activity eligible for funding under the Community Development Block Grant program be the construction of housing for low income households, provided that not more than 15% of the annual allocation to a grantee be expended for this purpose.

## II. City-Owned Land

Identify City-Owned Land, suitable for use by the Housing Authority, as pre-approved Section 8 Family sites, for move-on housing, or for other low cost housing projects. This would be of great assistance to the Housing Authority because it has difficulty optioning sites in the competitive Los Angeles land market. Private or non-profit Section 8 developers would find City-owned land attractive because they would not have to commit cash for sites until they have received their final project approvals and were ready to start construction.

## RECOMMENDATION IV

Report to Grants Committee on June 3, and quarterly thereafter, the status of available City-owned land suitable for housing.

## III. Foreclosed Multifamily Units





A possibly under-utilized resource may be HUD foreclosed rental units. If an effective system of identification, assessment, acquisition, financing, and subsidy can be developed, such units could increase the City's supply suitable housing.

These foreclosed properties often require expensive rehabilitation work, which in turn requires a financing and subsidy package capable of making the units available to low income households at affordable rents. In addition, there are relocation and Article 34 limitations (if the Housing Authority and/or tax-exempt financing is utilized). Presently, plans are being developed to rehabilitate several properties which have recently been made available by HUD. The rehabilitation work, financing, ownership and management will be provided by the City Housing Authority. Funding for acquisition, operating and management expenses, and debt service coverage will be provided by HUD through an annual contributions contract under the Low Rent Public Housing program.

#### RECOMMENDATION V

City Housing Authority assess those HUD foreclosed multifamily properties that are made available to the City for possible use as low income housing. Recognizing the demands on staff resources, the costs associated with making such properties again suitable for housing, and the limited availability of subsidy resources, the City Housing Authority, by June 3 should be requested to submit a property assessment/financing plan that can be applicable to foreclosed multifamily properties as they become available.

##### I. State Rental Construction Subsidy Program (SB229)

While the State's rental construction subsidy program (SB229) will not be available until later this year, the City should be prepared to take advantage of this program by making available CDBG land writedown assistance. If all of the funds currently in the housing production accounts are obligated, additional reprogrammable funds should be identified. It is anticipated that there will be a clearer idea of the required and available CDBG funds for this program later in the year.

The Task Force anticipates using the State program as a match for CDBG funds under the land/capital subsidy program.

#### RECOMMENDATION VI

If additional CDBG funds must be allocated, or can be utilized, in conjunction with SB229 Funds, it is recommended that Council adopt such allocation as a first priority in reprogramming CDBG Funds.

DD be authorized to submit any applications or preliminary information requested by the State Housing and Community Development Department.





## I. City Article 34 Referendum Language

The limitation of five family units per site for projects covered by the Article 34 referendum requirement (bond-financed projects containing more than 50% low income units, Housing Authority projects) has served to restrict the range of sites upon which projects can be developed, increase the costs of many low income projects by preventing economy of scale or requiring excessive per unit land costs, has made many projects unfeasible, and has restricted the number of CHFA-financed units funded in the City. It should be changed.

The Council has approved the placing of new referendum language on the ballot, increasing to 30 units (with a 2 story height limit) the number of family units per site.

## COMMENDATION VII

The City assume an active role in supporting this measure, and encourage key groups and agencies in the private sector to do the same.

## II Density Bonus In-Lieu Fee Incentives for Low Income Housing

Several localities in California have adopted ordinances which provide a density bonus for projects containing a certain proportion of low or moderate income housing units. However, this incentive approach has several limitations. Often the density bonus is workable only in return for moderate income units, rather than low income units. It is not feasible to provide the amount of density required to subsidize the inclusion of low income units. A density bonus/inclusionary incentive may not be workable Citywide.

As an alternative, the Task Force recommends a density bonus/in-lieu fee. In return for a bonus density, developers would be able to pay a fee, pegged at a fixed percentage of the value of the bonus unit(s), in-lieu of providing low income units within the proposed project. This approach would have the following advantages:

1. The fee would provide construction cost subsidy, matchable with CDBG land writedown funds, thus helping to make this latter resource usable for new housing development;
2. The in-lieu fee would permit the density bonus incentive to facilitate low income housing;
3. A greater variety of projects (particularly luxury developments) could be included in the program;
4. Commercial projects could be part of this incentive approach, thus increasing the low income housing resources generated;





5. The incentive would be totally voluntary.

#### COMMENDATION VIII

The Grants Committee support the density bonus fee concept and direct the Planning Department to submit to Grants Committee and the Planning and Environment Committee a draft ordinance implementing such an incentive.

The Planning Department has suggested consideration of a series of possible revisions in the City's zone code and CEQA guidelines. The Task Force, while recognizing the need to analyze the specific impact, in principle supports these proposals.

#### COMMENDATION IX

The following proposed revisions be referred to the Planning and Environment Committee; that the Planning and Environment Committee at its May 13 meeting prioritize these suggestions for study and recommendation by the Planning Department, and that such studies be included and given high priority in the Planning Department's work programs.

##### 1. Mobilehome and Mobilehome Parks

Amend City Codes to allow quicker processing of mobilehome park projects. Research development standards for mobile-parks. Determine desirability of treating mobilehomes as manufactured and conventional housing and determine under what conditions this should be allowed. Also investigate appropriate means for relocating mobilehome residents when parks or converted to other uses. Investigate feasibility of mobilehomes for low and moderate income housing. Evaluate and amend City codes in light of the above and new state legislation. (Code Studies Section)

##### 2. Housing Densities (CRA)

Permit densities of development in excess of that permitted by existing zoning for senior citizen, low and moderate and middle income housing when located in a Community Development Project and consistent with the approved redevelopment plan for the project. (Citywide Planning-Housing Unit)

##### 3. Zero Lot Lines

Permit common wall construction in single family zones for two units. (Code Studies Section)

##### 4. Townhouse zoning

Allow common wall development and land division for townhouses in multiple family zones. (Code Studies Section).





## 5. Modify RD Zones

Add additional density categories and revise yard requirements to permit use of RD zones in older subdivisions where lots are smaller than those called for in the existing zoning. (Code Studies Section)

## 6. Density Bonus

Provide a density bonus for developments which include at least 25% low or moderate income housing (AB 1150). Investigate other possible bonuses or incentives related to providing affordable housing. (Code Studies Section)

## 7. Reduce Parking Requirements

Reduce parking spaces required for both senior citizen housing project or for multiple family project located near to adequate public transportation services. (Citywide Planning Housing)

## 8. Parking Space Dimensions

Consider 1) permitting tandem parking in single-family developments, 2) reduction of minimum parking stall size, 3) turning radius reduction on driveways and 4) removing requirements for covered parking. (Code Studies Section)

## 9. Price stabilization Ordinance

An ordinance to require that the sales price of housing sold to the public be that submitted by the developer to the DRE with allowances made for inflationary or other documented costs. (Code Studies Section)

## 10. RPD Ordinance for Flatland Areas

Revise RPD Supplemental Use District in order to make it a useful zoning tool and promote innovative housing developments. (Code Studies Section)

## 11. Lot Sizes

Review minimum lot size requirements for all zones to determine if smaller lots or different lot dimensions are feasible thus reducing land costs if found appropriate. (Code Studies Section)

## 12. Graniflat

Allow use of single family houses for as more than one dwelling unit. When the character of the external portion of the dwelling is not altered either by a conditional use or through a supplemental use district. (Citywide and Development-Housing Unit).





## Community Plan EIR

Allow housing projects to be categorically exempt from CEQA where it is consistent with the adopted community plan where an EIR has been certified. (Citywide and Development - Housing Unit).

## Fee Waiver or Postponement

Waive or postpone fees until Certificates of Occupancy are issued. (Code Studies Section)

## Inclusionary zone type Supplemental Use District.

Supplemental use district which can, when applied, require the provision of a fee or low or moderate income housing as a condition of development. (Code Studies Section).





## Building Permits

- A. The Building and Safety Department, as well as the Planning Department, has made improvements in reducing the time required to issue building permits. However time delays still exist due to the sequential nature of the permit process for many residential projects, the fact that submitted plans are often incomplete, and inadequate communication between builders, their architects and engineers, and department staff.

### RECOMMENDATION X

The Building and Safety Department, along with the Planning Department and the Bureau of Engineering, develop average permit review time standards. Such time averages could then be made known to permit applicants who would then know whether their permit applications were being unduly delayed or presented special problems. This could help close the information gaps which currently arise in the permit process, especially as it affects the small builder. Building and Safety, Planning, and Engineering should report back to the Grants Committee on July 1.

### B. Permit Fees

The dwelling unit construction tax and the sewer construction fee represent two outlays that builders must pay up-front, requiring either greater initial cost investment or additional construction loan interest charges.

### RECOMMENDATION XB

Payment of such fees not be required until the project has received certificate of occupancy; that state law be revised in order that payment of the dwelling unit construction tax may be deferred until certificate of occupancy is issued.

The dwelling unit construction tax is earmarked for recreation and parks property acquisition. However, it is difficult to expend this money because it must be spent within the same area where the fund is generated, and the Recreation and Parks Department does not have adequate funds to support the increased operation and maintenance expenses that are incurred when additional parks are developed.

### RECOMMENDATION XC

The Quimby Act be amended in order that funds generated through this assessment be permitted to be expended for low and moderate income housing; and that the CLA report back to the Grants Committee on June 3 as to the prospects of such a legislative change.



## XI. Tax Allocation Bond Financing

The Community Redevelopment Agency has approved the use of \$40.4 million of tax allocation bond proceeds to assist in the production of low and moderate income housing through various efforts, including the "five-plex", the land/capital subsidy and large family relocation programs. The source of these funds will be a series of tax allocation bond issues for the Bunker Hill Redevelopment program (\$40.3), and the Central Business District project (\$6.1 million).

The City Council has already approved one such issue for the Central Business District and another for Bunker Hill-which includes \$8 - 10 million for housing - is pending.

### RECOMMENDATION XI

Council give its approval to subsequent tax allocation issues when they are submitted to the Council.

### Tax-Exempt Mortgage Revenue Bonds

Currently the Community Redevelopment Agency plans extensive use of the "SB 99" program under which it can issue tax-exempt mortgage revenue bonds; as stated above this device is being contemplated as an integral part in financing a number of low and moderate income units. However, existing law contains an ambiguity regarding the Agency's ability to issue these obligations outside redevelopment project areas for low and moderate income housing not assisted under the Section 8 program. Pending state legislation - SB 2031 - would clarify existing law, and clearly permit such financing of low and moderate income multi-family rental projects.

### RECOMMENDATION XII

Council adopt a City position supporting passage of SB 2031. The City has already gone on record opposing the restriction on tax-exempt financing contained in AB 3080, as well as the proposed federal restrictions contained in the Ullman Bill.

## XIII. Cooperatives

Cooperative housing represents a possible means to enable low and moderate income household to affordable participate in ownership housing. There are several opportunities-and limitations-which will affect the potential utility of this tool for the City of Los Angeles. The following recommendations address themselves to these concerns.

### RECOMMENDATIONS XIII

- A. The Ullman Bill, restricting the issuance of tax-exempt bonds for owner-occupied housing fails to make a distinction for cooperative housing. It is recommended that the City adopt a position in support of amending the Cranston-Williams bill (the Senate bill pertaining to tax-exempt bonds) exempting limited equity Cooperatives from restrictions on the use of





exempt bonds for owner-occupied housing.

Foreclosed properties may represent an additional opportunity for cooperative housing. It is recommended that the Housing Authority explore this potential and report back to Grants Committee on June 3.

#### RECOMMENDATION XIV

The Community Development Department, Community Redevelopment Agency, and the City Housing Authority report quarterly, starting with the first week in July to the Grants Committee, on the status of their projected programs, the obstacles that are encountered, and on any additional recommendations to the Grants Committee.





# RECOMMENDED ACTIONS AND POLICIES

ACTION/POLICY	LEAD AGENCY(S)	DATE
<u>Section 8 Recently Completed</u>	CDD & CLA	June 3 -- CLA to report back to Grants on status of proposal
A & B. City position to change Section 8 Rec. Comp. to allow for 20-year contracts and substitute for Section 8 new contracts		
C. City Housing Authority to convert all unusable Section 8 existing certificates in to Section 8 Rec. completed	CHA	June 3 -- CHA to report to Grants on status
<u>Section 8 New Construction</u>	CDD	
A. Land writedown for family Section 8	CDD	Report back to Grants when additional CDBG funding is required
B. Five-plex bond-financing	CRA	June 3 -- CRA report to Grants on status
C. Modification in allocation formula	CLA & CDD	June 3 -- CLA report back to Grants on extent of City shortfall and recommend City position
<u>CDBG</u> City position to allow portion of CDBG to be used for construction subsidy	CLA & CDD	June 3 -- CLA to report back to Council on prospects of such a legislative change





# RECOMMENDED ACTIONS AND POLICIES

ACTION/POLICY	LEAD AGENCY(S)	DATE
IV. City-owned land	CDD	June 3 --- Report to Grants Committee on status of parcels identified as suitable
V. Foreclosed Multifamily Units	CDD	June 3 -- CHA report to Grants Committee on property assessment/financing plan
VI. State Rental Construction Program	CDD	CDD report back when more detailed information available; when additional Council action required
VII. Article 34 Language Change	City	
VIII. Density Bonus In-Lieu Fee	CDD & Planning	May 13 -- Planning & Environment Committee of City Council adopt part of Planning Dept. work program
IX. Revisions in the City's Zone Code and CEQA Guidelines	Planning Department	May 13 -- Planning & Environment Committee priorities for Planning Dept. work program





ACTION/POLICY	LEAD AGENCY(S)	DATE
X. Building Permits	Building & Safety, Engineering, Planning	July 1 -- Reports to Grants
A. Improve information process for permit applicants		
B. City seek revisions in Quimby Fee		CLA
		June 3 -- CLA report back to Grants Committee
XI. Tax Allocation Bonds	CRA	
XII. Municipal Finance Bonds - Legislative Restrictions	CRA	June 3 -- CRA report back on status of SB2031
A. SB2031 to allow SB99 bonds to be used City-wide for low and moderate income housing	CRA & CDD	
B. Other legislative recommendations as the need arises		
XIII. Cooperative Housing	CHA	June 3 -- CHA report back to Grants Committee
A. Foreclosed Properties	CHA	
B. Remove restriction on tax-exempt bonds for cooperatives in Cranston-Williams Bill	CDD & CLA	June 3 -- CLA report on legislative status (CDD correspondence with Senator Cranston)
XIV. Quarterly Status Reports	CDD, CRA, CHA	July 1 -- First Report



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